

Special Education Cost Study Fiscal Year 1998-1999

The Arizona Revised Statutes (ARS), Section 15-236, Subsection A, states the following regarding the Department of Education, Special Education Cost Study:

The department of education shall by December 1, 1981 and every two years thereafter complete a cost study of special education programs. Such study shall include, but is not limited to, the cost of providing special education programs to students prescribed by § 15-761.

The objective of this study is to identify the additional costs related to state and locally funded special education programs at selected school districts, state operated schools, and residential treatment centers (RTCs). Identifying those additional costs help to determine the relative costs of each of the disability categories for which state aid may be given.

For purposes of the cost study, additional costs for school districts are defined as those costs in excess of regular education program costs that are incurred as a direct result of having students who are disabled or students who are gifted. These additional costs would not be incurred if the students were not classified as disabled or gifted. All educational costs incurred by the state-operated school (ASDB) are considered excess, including an applicable portion of agency administration. Additional costs for the RTCs are defined as those costs in excess of treatment costs that are incurred as a direct result of providing academic and special education services to students.

The 1999 Special Education Cost Study was presented to the Arizona State Legislature and Office of the Governor on December 1, 1999. Below is the summary of findings of this cost study. If you are interested in receiving a copy of the complete 1999 Special Education Cost Study, please submit a written request to:

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Executive Summary

Purpose and Objective

Arizona Revised Statutes, Title 15, Section 236 requires that “the department of education shall by December 1, 1981 and every two years thereafter complete a cost study of special education programs. Such study shall include, but is not limited to, the costs of providing education programs to students prescribed by § 15-761.”

The 1999 and 1997 Special Education Cost Studies were conducted by Heinfeld & Meech, P.C., an independent certified public accounting firm under contract with the Arizona Department of Education (ADE). Both studies were based on a compilation of data. The 1999 Cost Study is presented in the accompanying schedules. The compilation is in the format of schedules of information that represent the participating public school districts, Arizona State Schools for the Deaf and the Blind, and private residential treatment facilities.

The two main objectives of the Special Education Cost Study are:

- To identify additional costs related to state and locally funded special education services at selected public school districts, state operated schools, and private residential treatment facilities; and
- To provide additional schedules and information which may aid in explaining and interpreting the results.

According to ARS § 15-761.30, special education is defined as “...the adjustment of the environmental factors, modification of the course of study and adaptation of teaching methods, material and techniques to provide educationally for those children who are gifted or disabled to such an extent that they need special education in order to receive educational benefit.”

Additionally, to the extent appropriate, each district is required to educate children with disabilities in regular education classes. Special classes, separate schooling, or other removal of children with disabilities from the regular educational environment shall occur only if, and to the extent that, the nature or severity of the disability prohibits satisfactory accomplishment of education in regular classes, even with the use of supplementary aids and services (see ARS § 15-764.A.3).

In summary, special education services include adaptations and modifications of instructional methods and materials designed to enable a child with a disability to receive education benefit. Each child shall be ensured access to the general curriculum so that the child can meet the state’s educational standards.

The 1999 Special Education Cost Study participants are essentially the same as those represented in the 1997 Special Education Cost Study. Data collection and summary processes also are represented in the same format as presented in the 1997 Special Education Cost Study. Thus the 1997 and 1999 studies can be considered comparable with respect to participant representation, methodology, and data presentation.

Public School Cost Study

Fourteen public school districts representing approximately 34 percent of the state's special education population were selected for cost study participation. The sample of students with disabilities is representative of the state's population of school-aged students with disabilities receiving special education and related services.

The objective of the study was to determine the per student additional cost expended from state and local funds for special education and related services by statutory disability categories and for gifted education services.

Additional costs are those costs incurred by school districts in the provision of special education and related services to children with disabilities that are above the cost of providing regular education. These costs would not be incurred if the students were not classified as disabled or gifted.

The study did not allocate administrative and operational expenses from regular education programs of the Maintenance and Operation Fund. These costs are not considered additional, because they would be incurred regardless of the disability enrollment.

Since the Cost Study is designed to review state and local funding, federal expenditures were excluded from the cost per student by category to provide comparability to the state aid formula funding.

Capital outlay costs are reported in separate funds and are not reported as additional or excess costs.

Results

Complete results of the public school study are presented on pages 14 through 56. Comparison of per student costs to support levels can be found on page 32 for grades K-12 and page 51 for Preschool.

Using the FY 1999 costs per student, a projection of unfunded special education costs for FY 2000 was calculated. The FY 2000 estimated unfunded costs, which are illustrated on the table below, reflect the removal of categories that are projected to receive funds in excess of anticipated costs and the applicable reduction in the student count (see Estimated Unfunded Special Education Costs, Public Schools—Grades K-12 and Preschool on pages viii and ix for details).

| Grade Span | Unduplicated Student Count (1999 ADM) | FY 2000 Projected Unfunded Cost |
|-------------------|--|--|
| K-12 | 76,799.525 | \$10,126,624 |
| Preschool | 2154.375 | \$14,607,250 |
| Total | 78,953.90 | 24,733,874 |

Note that preschool and kindergarten students are counted as one-half of the actual student count for calculating Average Daily Membership (ADM). The per student costs and student/teacher ratios stated in this report are based on this one-half ADM in order to achieve comparability to state funding levels. Also important to note is that the preschool disability categories of Speech/Language Delay and Moderate Delay do not have assigned group B weights. This accounts for the high FY 2000 projected total unfunded amount on page ix (see explanation of weights in footnote ** on page ix, Estimated Unfunded Special Education Costs, Public Schools—Preschool).

Although group B weights have increased since the 1997 school year, there still exists a gap between state and local funding and school district expenditures for special education and related services. As shown in the table above, data collected for the 1999 school year projects an estimated unfunded amount of \$24.7 million for FY 2000.

Future Policy Implications

Changes in federal legislation draw additional attention to state funding of special education and related services. The 1997 Amendments to the Individuals with Disabilities Education Act (IDEA 1997) require that the state funding formula for special education needs to be placement neutral. In order to comply with IDEA 1997, the Arizona State Senate has convened the Joint Legislative Committee on Special Education and Regulations. The purpose of the Committee is to make recommendations for possible modifications to the current special education finance formulas and systems based on the following criteria:

1. Federal requirements for a placement neutral funding system;
2. Appropriateness of assigning students to disability categories for funding purposes;
3. Complexity of current special education funding formulas and systems;
4. Potential problems presented in a weighted system when the base level is not increased to adjust for inflation;
5. Impact of funding systems on the provision of necessary services in the least restrictive environment and the ability to make efficient and effective use of available funding;
6. Consideration of special education funding systems within the context of overall school funding;
7. Draft findings or the final report from the US Department of Education, Office of Special Education Programs, review of special education programs in Arizona; and
8. Any other relevant or appropriate considerations.

The Committee shall submit its report on or before December 1, 2000.

State Operated School Special Education Cost Study

The Arizona State Schools for the Deaf and the Blind (ASDB) was the sole participant in this part of the Cost Study. Institutional voucher reimbursement for state institutional placement was established by the Legislature (ARS § 15-1201).

Methodology

Four major functions or services provided by ASDB were identified as cost centers for this study. The four functions were:

1. Special Education. Activities necessary to implement instruction and related services for school-aged students with disabilities during the regular school year and extended school year, as needed. Special Education was segregated in the following functions:
 - A. Administration and Operation. Generally, this includes the types of costs that are similar to costs charged by public schools.
 - B. Instruction and Support. Support activities dealing with specific teachers or students were classified under the "Instruction" cost center, whereas support activities benefiting special education on an agency-wide basis were allocated to "Administration and Operations." When the agency provided services to more than one category of children with disabilities, the costs were allocated to the categories based upon the agency's allocation of these costs, if determined to be reasonable by the auditor, or based upon the ratios of students for each category.
 - C. Extended School Year (ESY). Activities concerned with providing special education and related services to supplement the school year for those students for whom such a program is necessary as described in ARS § 15-881.
2. Student Transportation. Activities involved in physically moving special education students from an off-campus residence to the school and back to the residence.
3. Other. Includes costs charged to residential, social services, student activities, and any federally funded expenditures.
4. Agency Administration. Activities concerned with the establishment and enforcement of policies related to the management of the whole and the general operation and maintenance of the physical facilities. Any such costs directly chargeable to special education were charged to "Administration and Operations."

Note: Items 2, 3 and 4 above were **not** included in the calculation of per pupil special education costs.

Results

Complete results can be found on pages 64 through 70. A comparison of cost per student to voucher funding is presented on page 70.

ASDB incurred over \$27.5 million in costs of which approximately \$20.5 million was for special education nonfederal costs and approximately \$7.0 million for related services. The overall per student cost from state funding for special education was \$26,264 compared to \$23,872 for the fiscal year 1997 study.

The projected FY 2000 statewide total special education cost for ASDB is summarized in the following table of per pupil amounts (see Estimated Cost Not Funded By Voucher Payments, Arizona State Schools for the Deaf and the Blind on page x for details):

Arizona State Schools for the Deaf and the Blind

| Unduplicated Student Count (1999 ADM) | FY 2000 Projected Total Not Funded By Voucher |
|--|--|
| 509.58 | \$6,454,534 |

It is important to note that ASDB receives an appropriation for education services in addition to the amounts reimbursed by institutional vouchers. The extent to which the additional appropriation reduces the unfunded voucher amount has not been calculated in this study.

Private Residential Treatment Facility Special Education Cost Study

Five residential treatment facilities representing forty-eight percent of the residential education voucher student population were selected for participation in the Cost Study. The residential education voucher fund (ARS § 15-1181ff) provides funding for educational services for students placed by a state agency into residential treatment facilities. Under this funding provision, the residential treatment facility is reimbursed for both special education services and nonspecial education services.

Additional costs are those excess expenditures funded by state and other sources (i.e., donations and private placement revenue) that are incurred by the residential treatment facilities to provide basic academic and special education services to their students. Included are only those educational costs that are beyond the treatment costs of these

students and those costs that would not be incurred by the agency in the absence of the educational programs.

The study did not allocate agency-wide administrative and operational expenses to education since many of these costs would be incurred by the agencies, regardless of operating an educational program. The study, however, did include variable administrative expenditures and those costs directly attributable to the educational program when a school operating independently of the agency would require the service.

The study did not include educational costs that were beyond the legislative intent of the residential education voucher funding. These exclusions included expenditures for vocational education, summer school (other than ESY), and GED instruction. Also not included were expenditures funded by federal grants.

Results

Complete results can be found on pages 79 through 85. A comparison of cost per student to voucher funding is presented on page 84. The projected FY 2000 statewide total education cost not funded by voucher payments is:

Private Residential Treatment Facilities

| Unduplicated Student Count (1999 ADM) | FY 2000 Projected Total Not Funded By Voucher |
|--|--|
| 367.001 | \$814,728 |

See Estimated Cost Not Funded By Voucher Payments—Statewide, Residential Treatment Centers on page xi for details.

Summary Tables